

**VIRGINIA POLYTECHNIC INSTITUTE
AND STATE UNIVERSITY
BLACKSBURG, VIRGINIA**

**INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2003**



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October 20, 2003

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Kevin G. Miller
Chairman, Joint Legislative Audit
And Review Commission

Dr. Charles W. Steger
President, Virginia Polytechnic
Institute and State University

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have audited the financial statements of **Virginia Polytechnic Institute and State University** as of and for the year ended June 30, 2003, and have issued our unqualified report thereon dated October 20, 2003. At the request of the President of the University, we have performed certain agreed-upon procedures to the University's Intercollegiate Athletics Programs for the fiscal year ended June 30, 2003, discussed below, solely to assist the University in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. The University is responsible for the Intercollegiate Athletics Programs including preparation of the Schedule of Revenues and Expenditures of Intercollegiate Athletics Programs. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Schedule of Revenues and Expenditures of Intercollegiate Athletics Programs – Agreed-Upon Substantive Procedures

- a. We obtained the Schedule of Revenues and Expenditures of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2003, as prepared by the University and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts on management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Intercollegiate Athletics

Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of worksheet adjustments with management and are satisfied that the adjustments are appropriate.

- b. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and review of actual amounts expended in comparison to budgeted amounts.
- c. We vouched each individual contribution received directly by the University for its Intercollegiate Athletics Programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Virginia Tech Foundation, Incorporated an affiliated organization, and the Virginia Tech Athletic Fund, Incorporated, a booster organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics.

Because the above procedures "a" through "c" do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on the Schedule of Revenues and Expenditures of Intercollegiate Athletics Programs or any of the accounts or items referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the specified accounts or items should be adjusted. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletics Department of Virginia Polytechnic Institute and State University in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to the President of the University. This report relates only to the accounts and items specified above and do not extend to the financial statements of Virginia Polytechnic Institute and State University or its Intercollegiate Athletics Department taken as a whole.

Internal Control Policies and Procedures Related to Intercollegiate Athletics Programs – Agreed-Upon Procedures

The management of Virginia Polytechnic Institute and State University is responsible for establishing and maintaining internal control for its Intercollegiate Athletics Programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of change in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

- d. We reviewed an organizational chart provided by Intercollegiate Athletics Department and discussed it with appropriate personnel. We reviewed documentation of accounting systems and operating procedures. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, and protection of records and equipment.

- e. We reviewed internal control over cash receipts and disbursements, including payroll, for the Intercollegiate Athletics Programs. We reviewed the relationship of internal control over Intercollegiate Athletics Programs to internal control reviewed in connection with the audit of the University's financial statements. Our review also included those controls unique to intercollegiate athletics which have not been reviewed in connection with the audit of the financial statements.
- f. We reviewed the University's procedures for monitoring booster group activities and concluded that those procedures were adequate.

Agreed-upon procedures "d" through "f" applied to certain aspects of the University's internal control were more limited than would be necessary to express an opinion on internal control of Virginia Polytechnic Institute and State University in effect for the year ended June 30, 2003, taken as a whole. Because our review and evaluation was limited to applying those agreed-upon procedures, we do not express such an opinion. In connection with applying procedures "d" through "f" above, we noted no material weaknesses relating to internal control over the Intercollegiate Athletics Program activities administered by the University.

This report is intended solely for the information and use of the University and authorized representatives of the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

JHS:whb
whb:62

SCHEDULE

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENDITURES OF INTERCOLLEGIATE ATHLETIC PROGRAMS
For The Year Ended June 30, 2003

	Football	Men's Basketball	Women's Basketball	Men's Other Sports	Women's Other Sports
Operating Revenues:					
Ticket Sales	\$ 11,375,589	\$ 599,443	\$ 158,174	\$ 531	\$ 1,000
TV and Radio	2,747,347	211,359	52,840	-	-
Program Sales	17,647	1,500	770	-	-
Advertising	302,097	147,198	17,870	-	-
Gifts:					
Unrestricted	215,619	50,242	63,324	74,473	91,429
Restricted - Scholarship support	1,495,681	282,240	282,185	687,242	1,271,317
Restricted - Other	1,676,753	-	-	-	-
Student Activity Fees	-	-	-	-	1,891,508
Concessions	500,001	71,713	71,712	-	-
Investment Income	63,027	-	-	-	-
Conference Allocation	2,034,676	49,686	33,099	17,375	22,453
NCAA Allocation	-	-	-	-	-
Lease Assessments	-	-	-	-	-
Parking	263,759	-	-	-	-
Other Income	194,279	11,885	4,765	-	-
Post-Season Revenue	804,529	-	-	1,100	984
Total Operating Revenues	21,691,004	1,425,266	684,739	780,721	3,278,691
Operating Expenditures:					
Coaches' Salaries	2,581,235	469,233	475,346	526,133	509,633
Other Salaries	519,584	121,057	105,323	16,399	4,157
Fringe Benefits	442,137	129,199	101,810	147,348	141,281
Travel:					
Team	1,356,219	139,685	192,786	398,811	378,887
Recruiting	108,771	44,172	75,607	48,641	68,564
Administrative	71,660	27,800	27,175	15,143	8,272
Game Settlements	1,205,000	116,063	24,094	-	4,000
Conference fee	-	-	-	-	-
Financial Aid	1,495,794	282,261	282,206	687,294	1,268,681
University Administrative Fee (Note 5)	-	-	-	-	-
Repairs, Maintenance, Equipment and Supplies	1,270,000	291,813	296,157	208,628	308,304
Game Officials	73,023	74,148	62,097	30,135	33,373
Insurance	3,817	722	775	2,888	2,378
Printing, Photography, and Subscriptions	256,184	130,068	49,004	28,978	27,297
Telecommunications	119,707	27,960	31,332	26,665	25,547
Publicity	297,812	146,185	70,728	16,767	15,307
Game Operations	84,545	6,773	6,773	10,255	11,531
Medical	102,086	7,859	33,799	41,086	35,772
Other	1,289,894	111,370	90,289	76,227	59,273
Total Operating Expenditures	11,277,468	2,126,368	1,925,301	2,281,398	2,902,257
Excess (Deficiency) of Revenues Over (Under) Expenditures for the Year	10,413,536	(701,102)	(1,240,562)	(1,500,677)	376,434
Transfers to plant funds for capital improvements	-	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures for the Year	\$ 10,413,536	\$ (701,102)	\$ (1,240,562)	\$ (1,500,677)	\$ 376,434

The accompanying Notes to the Schedule of Revenues and Expenditures
of Intercollegiate Athletic Programs are an integral part of this Schedule.

Non-Program Specific	Total
\$ -	\$ 12,134,737
-	3,011,546
204,448	224,365
-	467,165
308,407	803,494
130,397	4,149,062
-	1,676,753
3,883,203	5,774,711
-	643,426
126,424	189,451
-	2,157,289
506,837	506,837
413,126	413,126
-	263,759
118,073	329,002
-	806,613
5,690,915	33,551,336
222,332	4,783,912
2,694,814	3,461,334
695,385	1,657,160
32,387	2,498,775
-	345,755
98,833	248,883
-	1,349,157
200,000	200,000
130,407	4,146,643
1,206,258	1,206,258
1,446,736	3,821,638
-	272,776
212,844	223,424
140,901	632,432
194,078	425,289
85,188	631,987
2,567	122,444
63,273	283,875
356,816	1,983,869
7,782,819	28,295,611
(2,091,904)	5,255,725
2,567,687	2,567,687
\$ (4,659,591)	\$ 2,688,038

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS

AS OF JUNE 30, 2003

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenditures of the intercollegiate athletic programs of the University for the year ended June 30, 2003. The Schedule includes those intercollegiate athletics revenues and expenditures made in behalf of the University's athletics programs by outside organizations not under the accounting control of the University. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in financial position, or cash flows for the year then ended. Revenues and expenditures directly identifiable with each category of sport presented are reported accordingly. Revenues and expenditures not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

2. AFFILIATED ORGANIZATIONS

The University received \$4,826,448 from the Virginia Tech Foundation, Inc.. Approximately \$4,061,470 of these funds were for grant-in-aid scholarships for student-athletes. These contributions are included in the accompanying schedule.

3. OBLIGATIONS

The Athletic Department canceled the football games scheduled with James Madison University through 1999. The contract settlement requires a payment of \$25,000 to James Madison University on March 31, 2004.

4. BONDS PAYABLE

In October 1996, two revenue bonds totaling \$9,790,000 were issued for the Athletic Department. A \$6,250,000 bond for athletic facility improvements will be repaid with general operating revenues through 2016. Also, a \$3,540,000 million bond was issued for the Merryman Athletic facility. This bond will be repaid with private fund raising by the University through 2004.

In October 2001, a \$26,285,000 revenue bond was issued for the Athletic Department. This bond was issued for the South End Zone addition to Lane Stadium. This bond will be repaid with private fund raising and operating revenues through 2027.

5. UNIVERSITY ADMINISTRATION FEE

As with all auxiliary enterprises, the University charges the Athletic Department an administrative fee. During the fiscal year, the Department paid \$1,206,258 that is recorded as Non-Program Specific.

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Blacksburg, Virginia

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